

THE COMMERCIAL FEDERATION OF THE
EMPIRE.

The following is a synopsis of the prize essay written by Mr. J. G. Colmer, C.M.G., on the Commercial Federation of the Empire in connection with *The Statist* thousand guinees competition on the subject. The essay was published in full in *The Statist* of May 2nd.

The scheme may be divided into four parts:

1. The granting of preferential treatment to Colonial and Indian products in the United Kingdom.
2. Preferential treatment of British products in the Colonies and India.
3. The additional revenue so derived to form a fund, if the Mother Country and the Colonies and India agree, with a view to improve and supplement the defences of the Empire outside the United Kingdom.
4. The formation of a Colonial Council to give the Colonies a greater voice in Imperial affairs, and to provide for the administration of the fund.

1. It is suggested that in the United Kingdom small specific duties should be placed on certain enumerated articles, about twenty in number, when imported from foreign countries—similar imports from the Colonies and India to remain duty free, as at present. That the proposals are moderate in their nature will be understood when it is stated that the duties, with one or two exceptions, are equivalent to an *ad valorem* duty of about 3 per cent. on foreign imports of the articles specified. On foreign wheat and flour a revival of the duties in force up to 1869, of about 1s. per quarter, is recommended. The imports in 1894 of the enumerated articles from foreign countries were valued at £85,539,794, and from the Colonies and India at £44,958,350. The duties, it is anticipated, would realise about £2,700,000.

The enumerated articles are live animals, meats, cheese, butter, wheat, flour, hemp and other fibres, ivory, undressed leather, sugar, unrefined and refined, wool, tallow, seal skins, fish oil, logwood, mahogany, and nuts and kernels for oil. It would have been easy to mention many other articles produced in the Colonies on foreign imports of which duties might be imposed, such as india-rubber, indigo, farinaceous substances, ornamental feathers, fish, fruits, gutta percha, hides, palm oil, rice, furs, skins, silver and tin ore, wine, and wood. But, in the judgment of the writer of the essay, Commercial Federation will have a greater chance of immediate adoption and success if it is inaugurated on a moderate basis.

It is also proposed to reduce by one-half the existing duties on imports from the Colonies and India of cocoa, coffee, and tea, the duties on the foreign imports of those articles to remain as at present. This rearrangement of the existing tariff, with a reduction of 5 per cent. in the duties on tobacco from all countries, would mean a decrease in the revenue to the extent of about £2,000,000. It will be seen, therefore, that the scheme involves, roughly speaking, a net increase in the revenue of the United Kingdom of about £700,000.

It is urged that an increase in price is not likely to result from the placing of duties on foreign imports of the enumerated articles, at any rate to the extent of the proposed duties. In every case there would still be a considerable importation of the different commodities from the Colonies and India. As they would remain duty free, the supplies coming from within the Empire would dominate the market, and, with the foreign competition, have a tendency to prevent the increase in prices which perhaps might follow if duties were placed upon such imports from all countries.

2. As the fiscal systems in the Colonies and India are so varied, and the nature of their trade exchanges so different, it has apparently been found difficult to make any proposal for giving preferential treatment of a uniform character to British imports in those markets, in return for the concessions suggested on the part of the United Kingdom. It is, therefore, recommended in the essay that the Mother Country should take the initiative in the matter, inform the Colonies and India what advantages the United Kingdom is prepared to offer to the imports of the articles enumerated from within the Empire, and ask what concessions of a preferential character they would be prepared to extend to imports from the United Kingdom over imports from foreign countries. It is believed that correspondence of this nature would pave the way for an Imperial conference, at which the details of the proposals could be discussed, and definite arrangements agreed upon, by which in every part of the Empire there would be preferential treatment, on a moderate scale, for Inter-Imperial trade. The scheme, which is essentially in the nature of a "family arrangement" between the Colonies and Possessions and the Mother Country, would naturally be subject to alteration from time to time, as required, in the interests of all the parties concerned.

3. Assuming that the Colonies were prepared to grant preferential treatment to British trade (upon which no doubt

appears to exist, in view of the resolutions of the Ottawa Conference), assuming also that India was ready to follow their example, and that they re-arranged their tariffs in favour of British trade in a manner satisfactory to the United Kingdom; and that the formation of a fund for defence purposes was agreed upon as part of the scheme, it is fair to suppose that the Colonies and India would be able to contribute, as partly or entirely the outcome of their preferential treatment of British imports, according to their local circumstances, a sum equal in the aggregate to the net amount of additional revenue (£700,000) to be raised in the United Kingdom. In one of the appendices of the essay a suggestion for the apportionment of the £700,000 among the Colonies and India is offered. This would provide a fund of nearly £1,500,000 per annum, the joint contribution of the Colonies and India and the United Kingdom, which it is suggested could be used to supplement and improve the existing defences, including graving docks and coaling stations, in the outlying parts of the Empire. Among other things the maintenance of guard-ships in the leading ports of the Empire is proposed. These vessels would be useful not only for harbour defence, but in connection with the training of naval militia, which it is believed could readily be formed in the leading maritime ports of the Empire. This force would not only be valuable locally, but would be available for drafting on Her Majesty's ships that might be operating in the neighbourhood of the Colonies in time of war.

4. In order to give the Colonies a larger voice in the affairs of the Empire than they now have, and to enable them to participate in the administration of the proposed fund for defence, the formation of a Colonial Council is suggested. It would consist of the Secretaries of State for the Colonies, Foreign Affairs, India, and War, the First Lord of the Admiralty, and the Chancellor of the Exchequer, the Colonial Secretary being President. The High Commissioner for Canada and the Agents-General of the self-governing Colonies—or such other persons as the Colonies might appoint—would be members of the Council. It would be, as its name implies, a Council in which the Colonies would have a voice through their representatives in regard to any matters arising out of the preferential trade arrangements, and upon all other subjects in which the Colonies they represented had the right to consult, or to be consulted by, the Imperial Government.

The only serious obstacle of an international character in the way of carrying out the scheme is contained in the restrictive clauses of the commercial treaties with Belgium and Germany, which oblige the Colonies to admit imports from those countries on the same terms as those from the United Kingdom. By the action of the most-favoured-nation clauses in other treaties this obligation is made more or less general. As British imports from Belgium and Germany are greater than British exports to those countries, and as, even if the objectionable clauses were cancelled, the Colonies could still be made amenable to the general most-favoured-nation clause, which forms part of the treaties, it is suggested that if the proposition were made to the countries in question they would prefer the modification of the treaties rather than their abrogation. The treaties are terminable in any case on twelve months' notice.

Retaliation on the part of foreign countries is not anticipated as the result of the adoption of the scheme, because their import duties are now as high, generally speaking, as they can be made, and any increase would react on the countries themselves. Besides, with the Imperial Customs Union in existence, a policy of retaliation would hardly be lightly undertaken.

The following are some of the advantages which it is claimed would be derived by the Mother Country on the one hand, and the Colonies and Possessions on the other, from the adoption of a scheme of commercial federation. It would bring the Mother Country into closer union with the Colonies. By giving preferential treatment, on a moderate scale, to British trade within the limits of the Empire, the bond of unity would be material as well as sentimental. By such preference the doctrines of Free Trade that prevail in the United Kingdom would not be seriously endangered, and freer trade than at present would be made possible within the Empire. On the other hand, the British manufacturer would retain the control of the rapidly increasing Colonial markets. There would be a unity for the defence of the outlying parts of the Empire, and a Colonial Council for mutual consultation on matters of general interest. Greater attention than ever would be attracted to the Colonies. Emigration would flow in larger numbers to their shores and increase the demand for British goods. The investment of capital in the Colonies would be encouraged, and their powers of production be so increased that the United Kingdom would year by year depend less upon foreign sources for her food supplies.

Attached to the essay are several statistical appendices, illustrating the commercial affairs of the Empire, and showing that, relatively speaking, the trade of the United Kingdom with the Colonies has been increasing in a greater ratio than the trade with the other parts of the world.